



OFFICE OF  
INSURANCE COMMISSIONER

IN THE MATTER OF )  
 )  
NATIONAL HEALTH ) CONSENT ORDER LEVYING A FINE  
INSURANCE COMPANY )  
 ) No. D 2000 - 118  
An Authorized Insurer. )

FINDINGS OF FACT:

1. National Health Insurance Company ("National Health" or "Company") is a life and disability carrier licensed to do business in the State of Washington.
2. RCW 48.20.025, enacted by the Washington legislature on March 23, 2000 and made immediately effective, requires any insurer providing individual health benefit plans in the State of Washington to file for review by the State of Washington's Insurance Commissioner supporting documentation of its actual loss ratio for its individual health benefit plans offered in the state in aggregate for the preceding calendar year. The law requires this documentation to be filed by the last day of May each year.
3. On May 8, 2000, the Office of Insurance Commissioner ("OIC") issued Technical Assistance Advisory T2000-03, advising health carriers of the requirement to file this supporting documentation with the OIC no later than May 31, 2000. The Technical Assistance Advisory invited carriers to contact a particular OIC Associate Actuary if they had any questions about the filing of supporting loss ratio documentation.
4. National Health informed the OIC by letter of May 30, 2000 that it disagreed with Technical Assistance Advisory T2000-03, and that it believed loss ratio reporting under the new law was not required until May 31, 2001. National Health did not provide the OIC with its documentation by the end of business May 31, 2000.
5. By letter of June 13, 2000 the Rates and Contracts Division of OIC informed National Health that if it did not submit the 1999 loss ratio filing required by Subsection 3(5) of Chapter 79, Laws of 2000, it would be out of compliance and subject to legal penalties. The letter also informed National Health that if the OIC did not receive the Company's documentation by June 30, 2000 the matter would be referred to the OIC Legal Affairs Division for possible enforcement action.
6. By letter of June 30, 2000 National Health informed the OIC that it was preparing a substantive response regarding the matter. By letter of July 7, 2000 National Health



inquired as to whether RCW 48.20.025 applied only to Individual plans. The OIC received the required documentation from National Health on July 14, 2000. National Health subsequently provided its monetary remittance to the Washington State Health Insurance Pool on July 25, 2000, within the acceptable timeframe for the remittance.

#### CONCLUSIONS OF LAW:

1. The failure of National Health to file the loss ratio documentation by May 31, 2000 is a violation of RCW 48.20.025.
2. RCW 48.05.185 authorizes the Insurance Commissioner to impose a fine in lieu of the suspension or revocation of a Company's certificate of authority.

#### CONSENT TO ORDER:

National Health Insurance Company wishes to resolve this matter without further administrative or judicial proceedings and, therefore, hereby admits to the foregoing Findings of Fact and Conclusions of Law. The Company hereby consents to the entry of this order.

The Commissioner has offered a settlement in lieu of suspending or revoking the company's certificate of authority.

By agreement of the parties, the OIC will impose a fine of Nine Thousand Dollars (\$9,000) upon National Health Insurance Company, and suspend Four Thousand Five Hundred Dollars (\$4,500) on condition that:

#### CONDITIONS

1. National Health pays Four Thousand Five Hundred Dollars (\$4,500) of the fine within thirty days of the entry of this order, for its violation of Washington insurance law.
2. National Health shall commit no further violations of the statute that is the subject of this Consent Order for a period of two years from the date on which this order is entered.

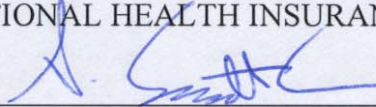
This fine must be paid in full within thirty days of the entry of this order. Pursuant to RCW 48.05.185, failure to pay the fine timely shall constitute grounds for the revocation of the insurer's certificate of authority, and for the recovery of the fine, including the suspended portion of the fine, in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington. Failure to comply



with Condition 2 shall constitute grounds for the recovery of the suspended portion of the fine.

EXECUTED this 14th day of February, 2001, by:

NATIONAL HEALTH INSURANCE COMPANY



Typed Name: G. Scott Smith

Typed Corporate Title: President & CEO

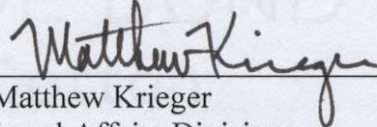
ORDER:

Pursuant to RCW 48.05.185, the Insurance Commissioner hereby imposes a fine of Nine Thousand Dollars (\$9,000), with Four Thousand Five Hundred Dollars (\$4,500) suspended, upon National Health Insurance Company. The fine must be paid in full within thirty days of the entry of this order in Olympia, Washington. Failure to pay the fine timely shall constitute grounds for the revocation of the insurer's certificate of authority, and for the recovery of the fine, including the suspended portion of the fine, in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington. Failure to comply with Condition 2 of this Consent Order shall constitute grounds for recovery of the suspended portion of the fine.

ENTERED AT OLYMPIA, WASHINGTON on this 5th day of March, 2001.

MIKE KREIDLER

Insurance Commissioner

By: 

Matthew Krieger  
Legal Affairs Division  
Office of Insurance Commissioner